

Update on Debt Collection

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Overview

- Agency Liaison Division
 - Overview of Debt Collection
 - TROR
- Cross Servicing
 - Collection Process and Up-to-Date Reports
- Treasury Offset Division
 - Debt Collections through TOP

Overview of Debt Collection in FY04

- In FY04, the Federal Government Collected \$121.9 billion.
- Total Collections on Receivables in FY 2004 Increased by \$2.3 billion Over FY 2003 Collections.
- Since the Enactment of DCIA in April 1996, \$21.2 billion has been Collected to Pay Delinquent Debts through the TOP and Cross-Servicing Program.
- Total Collections through TOP and Cross-Servicing were \$3.0 billion in FY 2004. Annual Collections through These Programs have Averaged Over \$3.0 billion during the Last Four Years.

Overview of Debt Collection in FY04 (Continue)

- Administrative Offset Collections were \$109 million, a 23.9 Percent Increase Over the \$88 million Collected in FY 2003.
- PCAs under Contract with the Education, Health and Human Services and Treasury had Referrals of \$18.3 billion in Delinquent Federal Debt (Up 27 Percent from the \$14.4 billion in Referrals in FY 2003).
- PCAs Collected \$610 million in FY 2004 (Up 12 Percent from the \$547 million Collected in FY 2003).

Referral Performance & Trends

- The Referral Rate of Eligible Federal Debt Submitted to Cross-Servicing has Continually Increased since FY01 from 78% to 97.4% in FY04.
- Total Collections by Treasury's FMS on Delinquent Debts through TOP and Cross-Servicing were \$3 billion in FY2004.

What is the Problem?

- Delinquent Non-Tax Debt Continues to Increase...
 - ✓ 2003: \$70.1 billion
 - ✓ 2004: \$71.0 billion

***Treasury Report On
Receivables & Debt
Collection Activities
(TROR)***

What is This TROR?

- A Management Report, Not an Accounting Report.
- Treasury's Only Comprehensive Means for Periodically Collecting Data on the Status and Condition of Federal Non-Tax Debt.
- Helps *Agencies* Manage Their Compliance with the Debt Collection Improvement Act (DCIA).

What is This TROR? (Continue)

- Helps Treasury and Others Monitor and Report on Agencies' Performance.
- Helps *Treasury* Know the Extent of the Debt Collection Problem and What Agencies Need to Do to Fix Their Problems.
- Information Shared with Congress, OMB, and GAO, for Agency Performance Monitoring. Disseminated to CFOs, Other Federal and State Officials.

Targeted Improvements

Improved Debt Management by FPAs in Areas such as:

- ✓ Aging of Debt (TROR, Part 1, Section B);
- ✓ Referrals of Eligible Debt to Treasury;
- ✓ Write Offs and Close Outs (OMB's A-129);
- ✓ TROR, Part 2, Section D, Debt Disposition (Closed Out, 1099-C, etc.);
- ✓ Overall Timeliness and Accuracy of the TROR!

Priorities & Strategies for FY05/06

Strategies:

- Agencies' Continued Compliance with the DCIA.
- Agencies' Continued Timely and Correct Filing of the TROR.
- We are Urging Agencies to Refer All Debts at the 180–day Point.
- Encouraging the Use of the Administrative Wage Garnishment (AWG) Tool!

TROR New information!

- New TROR Changes!
 - ✓ New Name!
 - ✓ Sections Revised!
- TROR Revised Workshops: Standard and Agency-Specific.
- Revised On-Line Instructional Workbook.
- Quarterly Reporting by All Agencies.
- Combined Verification/Certification
- New Managing Federal Receivables!

Treasury's Financial Management Service has completed its revision of "Managing Federal Receivables" (MFR), and it is now available on our website at:

http://www.fms.treas.gov/debt/Guidance_MFR.html

Why Change the TROR?



- To Make the Report and Instructions Easier for Agencies to Prepare.
- To Enable Treasury to Capture Data of Greater Relevance.
- To Resolve Problems with the 1998-99 Version of the Report.

TROR Pilot Group

Revision Developed by TROR Pilot Group
Representatives from Many Agencies:

- Agriculture
- Commerce
- Defense
- Education
- General Services Administration
- Interior
- Housing and Urban Development
- Railroad Retirement Board
- Social Security Administration
- Transportation
- Veterans Affairs

Expectations from the TROR Pilot Group:

- Clarification/Simplification of Part II, Section B & Part II, Section D, Debt Disposition.
- Bring Financial Statements and TROR Balances Closer. (Net vs. Gross)
- Make Sure that Debt Referral Numbers Represent Actual Status in Part II, Section B.
- Streamline Report.
- Learn about Changes in order to Teach Others in Agency.

Revised TROR Implementation Timeline

Implement Revised Form-July
2006 for 3rd Quarter-FY 2006
Reporting.

Agency Liaison Team

- **Mission:**
 - To Assist Federal Agencies with Their Debt Collection & Management to Meet the Requirements of the DCIA.
- **Focus on Major Agencies:**
 - HHS, HUD, Education, Agriculture, DoD.

How DMS Liaisons Work with the Federal Agencies?

- Schedule Tailored DCIA/TROR Sessions.
- Regular Interaction/Meetings/Conference Calls.
 - ✓ *Meetings as Needed with the Appropriate Agency Representatives. (i.e. Cross-Servicing, TOP, etc.)*
- Provide Program Information Upon Request.
- Involved w/Ongoing Information Exchange to Keep Agencies Informed about Key Initiatives and Reporting Issues.

Agency Training

- **DMS/ALRD Offers TROR Workshops Specifically Tailored to Meet Your Agency Needs.**
- **Future DC101/TROR Forums/Workshops:**

**September 20 – 22, 2005 – Chicago, IL
(DC101 & TROR!)**

Register On-Line Early!
<http://fms.treas.gov/debt/training.html>

Agency Liaison and Reporting Division

Points of Contact

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Conferences & Agency Education Team
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Government-Wide Reporting & Relations Team
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Cross-Servicing

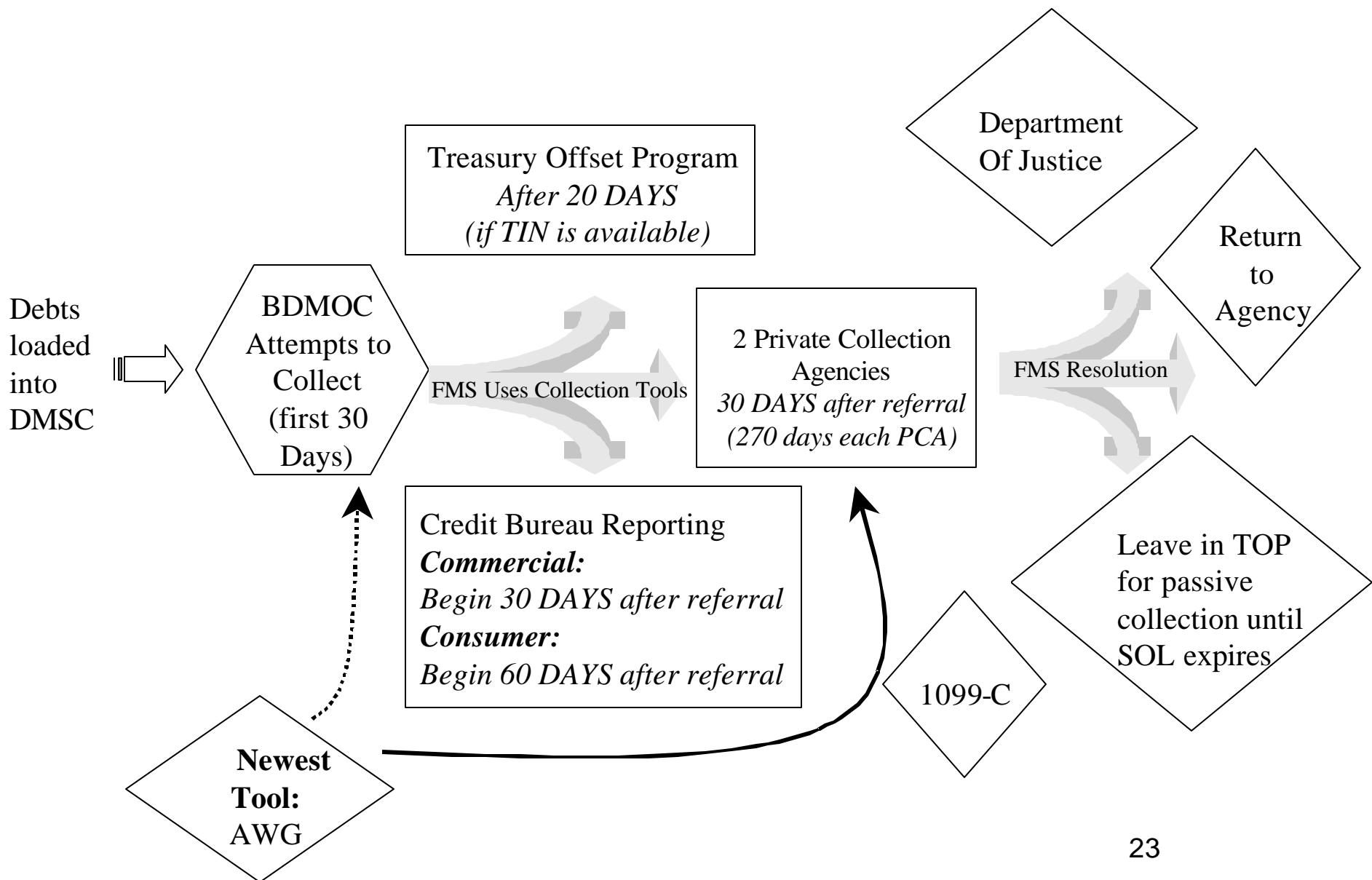
Rick Burnham, Branch Manager
Private Collection Branch
Cross-Servicing Division

Cross-Servicing

GOALS:

- ✓ Collect Debt;
- ✓ Resolve Debt;
- ✓ Remove Debt from the Government's Receivables;
- ✓ Centralize Government Debt Collection.

Collection Process Overview



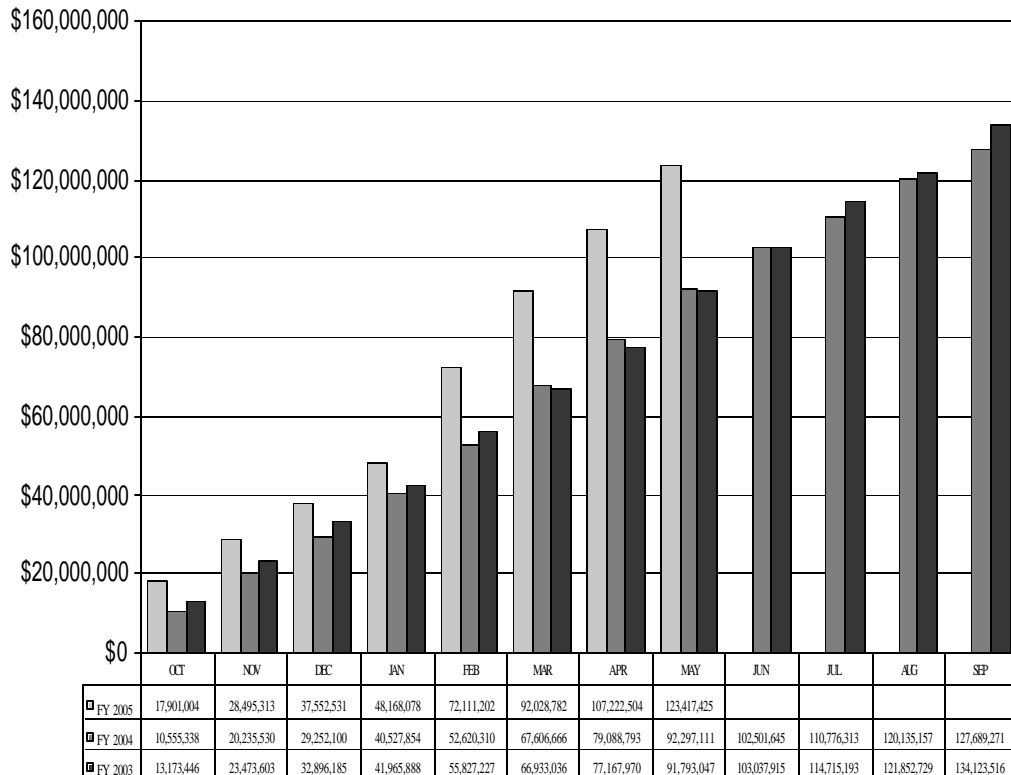
Manual Debt Referrals

***Number of
Manual Referrals
are Decreasing!***

CROSS-SERVICING COLLECTIONS

As of May 31, 2005

Comparison of Cumulative Cross-Servicing Collections for FY 2003 Through FY 2005



Through May of FY 2005, Cross-Servicing Collections have averaged over \$15 million per month, an increase of \$4.7 million over the monthly average collected in FY 2004.

COLLECTIONS SINCE INCEPTION

\$ 313.1 MILLION FOR PCAs
\$ 180.5 MILLION FOR DMSC
\$ 109.7 MILLION FOR TOP
\$ 603.3 MILLION TOTAL

ACTIVE PAYMENT AGREEMENTS

DMSC	3,930	\$27,103,450
PMAC	4,220	\$36,657,497
TOTAL	8,150	\$63,760,947

Private Collection Agencies (PCAs)

Debts are Sent to PCAs 30 Days after Referral to FMS. PCAs are Expected to Perform Nationwide Debt Collection, Including:

- Consumer and Commercial Debt;
- Different Types of Debts (Fines, Fees, Overpayments, Medical);
- Varied Ages;
- Varied Values (\$100 to millions).

PCA Contract Goals

- Collect Debt;
- Resolve Debt;
- Create Competitive Environment;
- Evaluate Performance.

Basic Contract Requirements

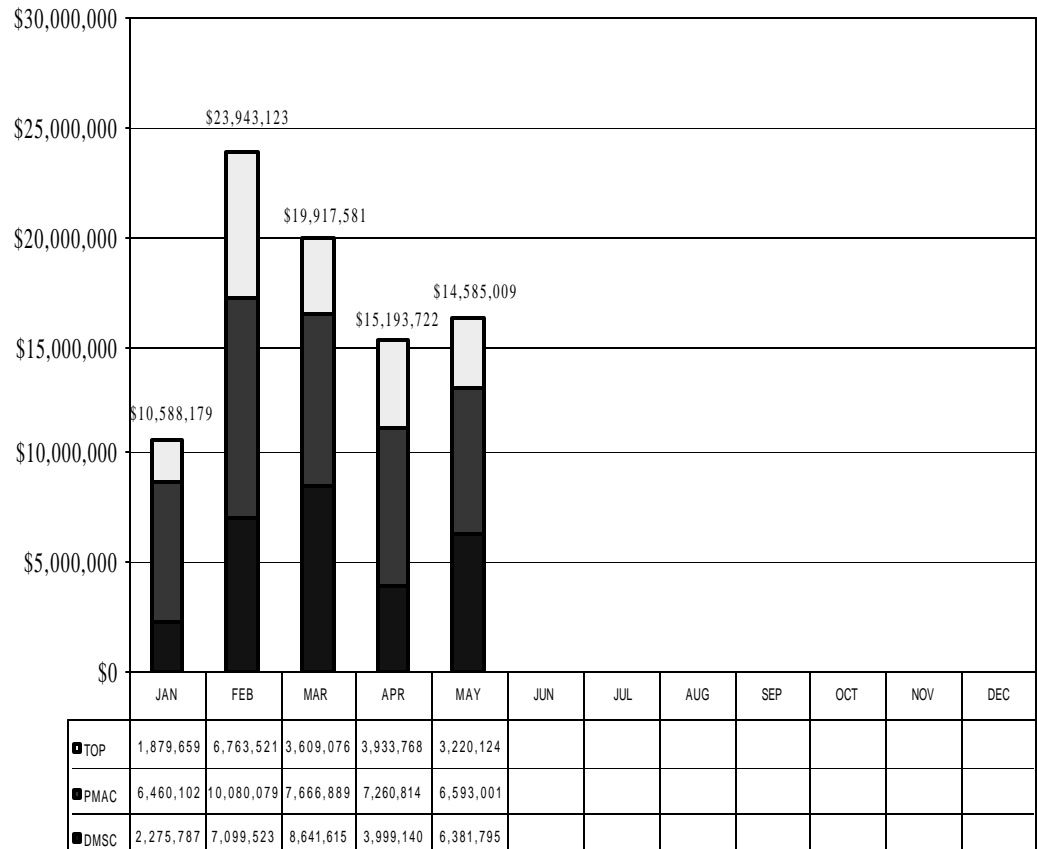
Collection Process:

- Pre-Approved Collection Letters;
- Perform Skip-Tracing;
- Receive and Process Debtor Disputes;
- Payment Agreements;
- Administrative Wage Garnishment;
- Administrative Resolution (Death, Bankruptcy, or Disability with Inability to Pay; Entity out of Business in FedDebt).

CROSS-SERVICING COLLECTIONS

**CY 2005 Collections of DMSC, PCA and TOP
as of May 31, 2005**

Through May of CY 2005,
Cross-Servicing Collections
totaled nearly \$86 million,
an increase of more than \$22
million over the total
collected during the same
period in CY 2004.



Calendar Year to Date Collections	
DMSC =	\$28,397,860
PMAC =	\$38,060,886
TOP =	\$19,406,149
TOTAL =	\$85,864,894

Fiscal Year to Date Collections	
DMSC =	\$42,626,635
PMAC =	\$58,840,021
TOP =	\$21,950,769
TOTAL =	\$123,417,425

Administrative Wage Garnishment (AWG)

- As Authorized by the Debt Collection Improvement Act of 1996, AWG Allows Federal Agencies to Garnish up to 15% of the Disposable Pay of Debtors who do not Work for the Federal Government, Without a Court Order.
- Agencies Need to Publish Regulations and Establish Hearing Procedures to Participate.
- Agency May Choose to Adopt Treasury Regulations.
- Legislation has Passed Allowing FMS Access to the National Directory of New Hires.

AWG – Collections

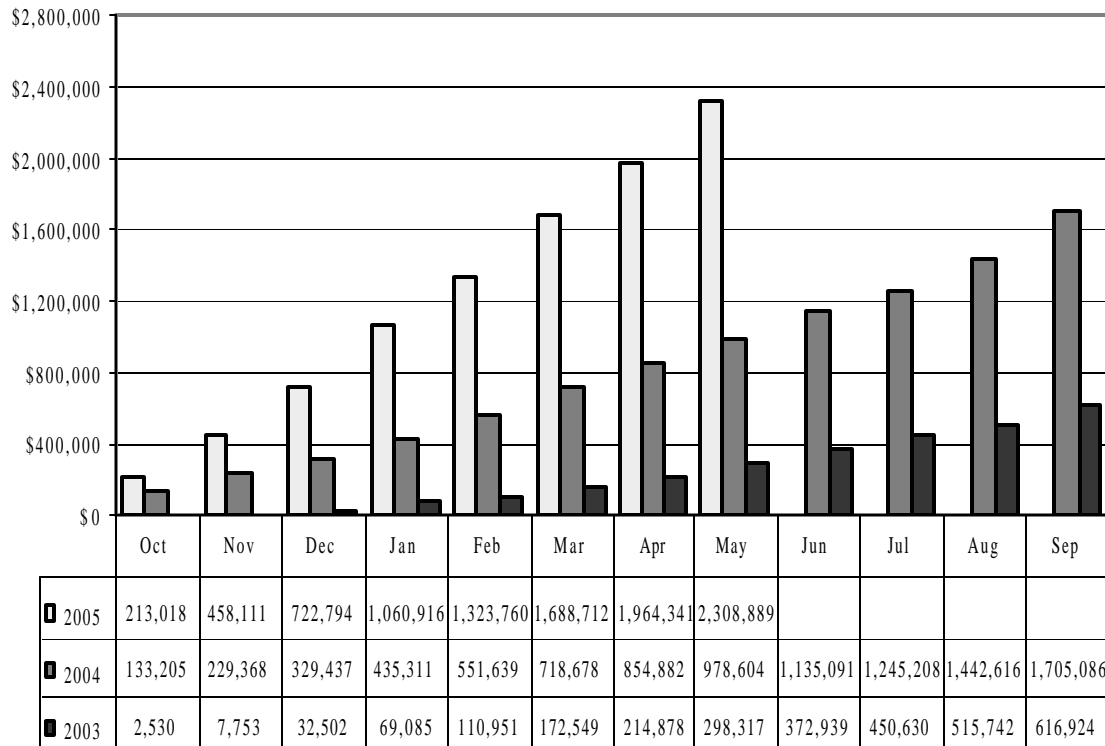
15 Agencies Currently Authorize AWW

- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- Department of Housing & Urban Development
- Securities & Exchange Commission
- Nuclear Regulatory Commission
- Department of Education
- Dept. of Defense (Defense Finance & Accounting Service)
- Department of Energy
- Dept. of the Treasury (FMS & Bureau of the Public Debt)
- U.S. Agency for International Development
- General Services Administration
- Commodity Futures Trading Commission
- Social Security Administration
- Department of Health & Human Services
- Small Business Administration

CROSS-SERVICING COLLECTIONS ADMINISTRATIVE WAGE GARNISHMENT

As of May 31, 2005

**Comparison of Cumulative Collections for FY 2003
Through FY 2005 by Month**

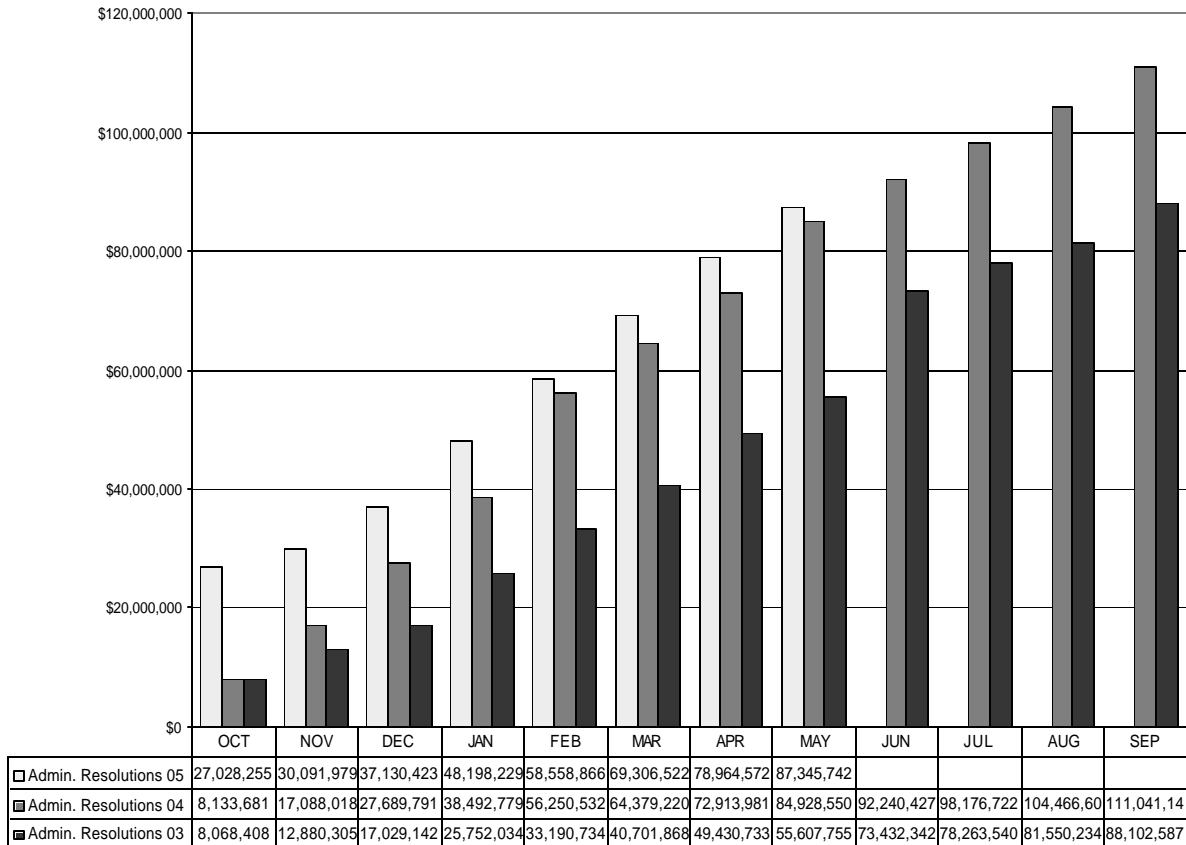


For the first time since the program's inception in 2001, AWG collections have surpassed \$2 million in a single fiscal year. Collections through AWG continue to increase as additional federal agencies enable DMS to utilize this powerful collection tool.

PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS ADMINISTRATIVE DEBT RESOLUTION

As of May 31, 2005

Comparison of Cumulative Debt Resolved Administratively for FY 2003 Through FY 2005



Through May of FY 2005, the value of debt resolved administratively by the PCAs totaled over \$87 million, an increase of over \$2 million compared to the same period in FY 2004.

New Approach- Enterprise Architecture Study

- Fully Integrate All Debt Management Systems.
- Cross-Servicing Module of FedDebt will be Implemented on October 1; However Agencies will not have On-Line Access until 60 Days after that Date.
- File Formats As Soon As Possible.

Cross-Servicing Division Contacts

Points of Contact

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Private Collection Branch
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Treasury Offset Program

Alyssa Riedl, Branch Manager
Treasury Offset Program Operations Branch
Treasury Offset Division

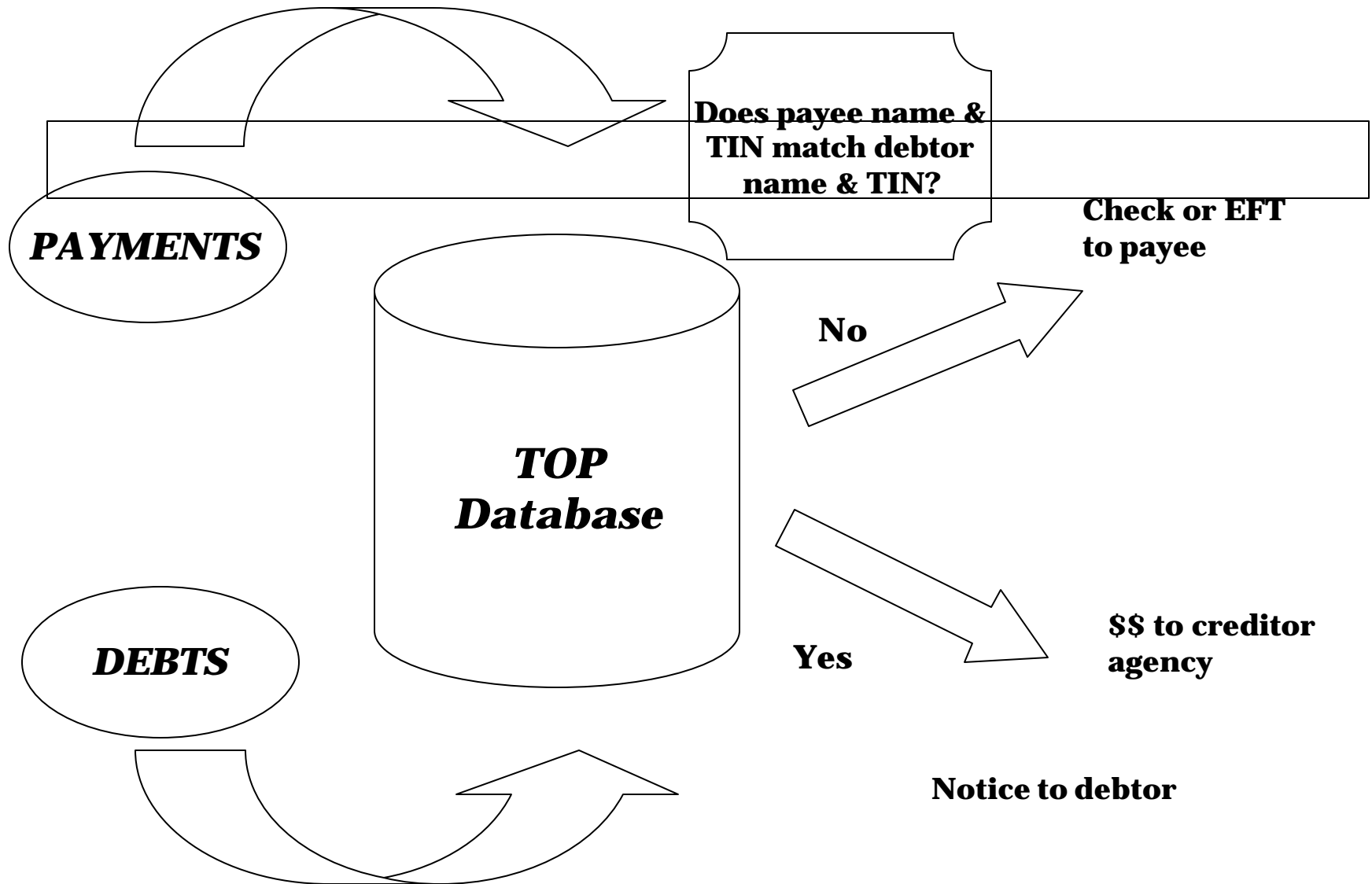
What is Offset?

- Withholding Funds Payable by the United States to a Person to Satisfy a Debt.
- TOP is a System that Compares Payments with Debts. When a Match Occurs the Payment is Offset to Collect the Debt.

Administrative Offset

- Requires Agencies to Notify Treasury of All Debts Over 180 Days Delinquent for Purposes of Offset.
- Requires Disbursing Officials to Offset Payments.

TOP Process



As of May 31, 2005
TOP Database Contains:

- **\$35.1 billion in Federal Non-Tax Debts.**
- **\$81.2 billion in Child Support Debts.**
- **\$113.5 billion in Federal Tax Debts.**
- **\$5.4 billion in State Income Tax Debts.**
- **Total - \$235.2 billion!**

CY Collections Through TOP

As of July 13, 2005 - \$2.84 billion

- **Administrative Offsets** **\$71.7 million**
- **Tax Refund Offset**
 - Child Support** **\$1.4 billion**
- **Tax Refund Offset**
 - Federal Non-Tax Debt** **\$945.9 million**
- **Tax Refund Offset**
 - State Income Tax Debt** **\$209.4 million**
- **Tax Levy** **\$108.6 million**



Purpose:

- **To Assist Agencies in Collecting Delinquent, Non-Tax Debt by Providing Information to Agencies and Lenders on Whether Individuals and Businesses Applying for Federal Loans, Loan Insurance, and Loan Guarantees have a Debt with the Federal Government (U.S.C. § 3720B and 31 C.F.R. §285.13).**
- **To Provide an Online Resource on Delinquent Debtors for Federal Agencies for Purposes of Carrying Out the Law.**

Debt Check – The Future

- Working with USDA for Single Sign-On in Accordance with the Federal Government's Pursuit of Unified Authentication Systems.
- Working with HUD to Develop a Portal Between CAIVRS and Debt Check.

Debt Check

As of July 20, 2005, 22,022
Inquiries were Run on the
Debt Check Database. Of
Those Inquiries, There were
113* Full Matches and *89
Partial Matches.

Centralized Salary Offset

Participating Salary Paying Agencies:

- ✓ **Interior**
- ✓ **National Finance Center**
- ✓ **DoD-DFAS**
- ✓ **U.S. Postal Service**

Payroll Consolidation Initiative

- Currently 3 of the 4 Payroll Agencies are Participating in Centralized Salary Offset (CSO).
- The General Services Administration (One of the Four Payroll Agencies) is Slated to Participate as a SPA by the End of Calendar Year 2005.

Miscellaneous Payments

- **Payments for Various Federal Program Expenditures Such As Loans, Grants, Medical, Emergency, and Other Administrative Obligations.**
- **Effective Upon Publications of the New TFM Bulletin, Agencies will Fill in the TOP Eligibility Code:**
 - **Blank or Y = Offset**
 - **N = Do Not Offset**
- **Agencies Should Place an “N” in the Field, (If the Payment Is Legally Ineligible for Offset or Is Not Eligible to be 100% Offset).**

Task Force

- The Cross Agency Federal Contractor Tax Compliance Task Force with Senior Management from FMS, DOD, IRS, DOJ, OMB, and GSA was Established to Address the Recommendations of the GAO Audit.
- In 2004, the Task Force Took Several Actions and Made Recommendations to Improve the Collection of Tax Debt Owed by DoD Contractors.
- In 2005, the Task Force Will Address the New Recommendations Made by GAO to Improve the Collection of Tax Debt Owned by Civilian Agency Contractors.

Legislative Proposals

- Unemployment Trust Fund to Participate in TOP.
- Removal of 10 Year Statute of Limitations on Offsets.

Treasury Offset Division

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Questions?